Climate Funds Update

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Climate Finance Briefing: Small Island Developing States

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The Small Island Developing States (SIDS) together bear little responsibility for climate change, but their geographical, socioeconomic and climate profiles make them particularly vulnerable to its impacts. Spread across three regions, the 39 SIDS nations have received USD 798 million from the dedicated climate funds between 2003 and 2015. Financing 172 projects in 38 SIDS (all SIDS received finance except for Singapore), this sum represents less than 6% of global climate finance for all regions across these funds. SIDS remain poorly funded, and approved finance fulfils only a small part of actual needs. With the majority of finance focused on adaptation, the Pilot Program for Climate Resilience (PPCR) and the Least Developed Countries Fund (LDCF) are the biggest contributors. In 2015 alone, USD 113 million was approved for projects in SIDS. Nearly half of this figure comes from co-financing provided by the Green Climate Fund (GCF) for two water and sanitation adaptation projects in Fiji and the Maldives, approved during the first round of GCF project approvals. Scaling up both climate adaptation and mitigation finance to the SIDS is vital - both to address the vulnerability of SIDS inhabitants by making agriculture, biodiversity and infrastructure sectors more resilient to climate impacts, and to shift the energy mixes of SIDS away from fossil fuels.

Introduction

The 39 nations classified as SIDS by the UN (which together constitute about 1% of the world's population) form a distinct group of developing countries. SIDS tend to share a number of challenges, including limited capacity to raise domestic resources, high energy and transportation costs and high vulnerability to climate variability, storm events, and sea level rise. Adaptation measures are critical in most of the SIDS in agriculture and fisheries, coastal environments, biodiversity, water resources, human settlements and infrastructure and health sectors (UNFCCC, 2005).

Spanning three regions - the Pacific, the Caribbean, and Africa, the Indian Ocean, and the South China Sea (AIMS) – the SIDS present a wide variety of contexts. Geographical differences and varying socioeconomic contexts influence the climate change vulnerability profiles of the SIDS. For example, only 1.8 % of Papua New Guinea's terrestrial land is below five metres above sea level, while 100% of the Maldives and Tuvalu lies below five metres, rendering these nations critically vulnerable to flooding and sea level rise (UN-OHRLLS, 2013).

Most SIDS are middle-income countries, but their economies are often small and gross national income varies widely. Nine of the SIDS are categorised as Least Developed Countries (LDCs). The emissions profiles also vary between the SIDS, although most produce relatively low emissions. In 2012, the SIDS combined accounted for just 1% of global carbon dioxide emissions (U.S. Energy Information Administration, 2012). However, many SIDS rely heavily on fossil fuel imports for energy, and a transition to sustainable energy sources must continue to be a priority.

Where does climate finance come from?

Sixteen dedicated climate funds are active in the SIDS (Figure 1; Table 1). A total of USD 798 million has been approved for 172 projects between 2003 and 2015. The biggest contributor of finance is the Pilot Program for Climate Resilience (PPCR), which has approved USD 179 million for SIDS between 2003 and 2015. The second largest contributor is the Least Developed Countries Fund (LDCF), which has approved USD 135 million. Multilateral sources provide the most funding for SIDS (USD 701 million or 88%). Bilateral funds are also active across the

Figure 1: Funds supporting SIDS (2003-15)

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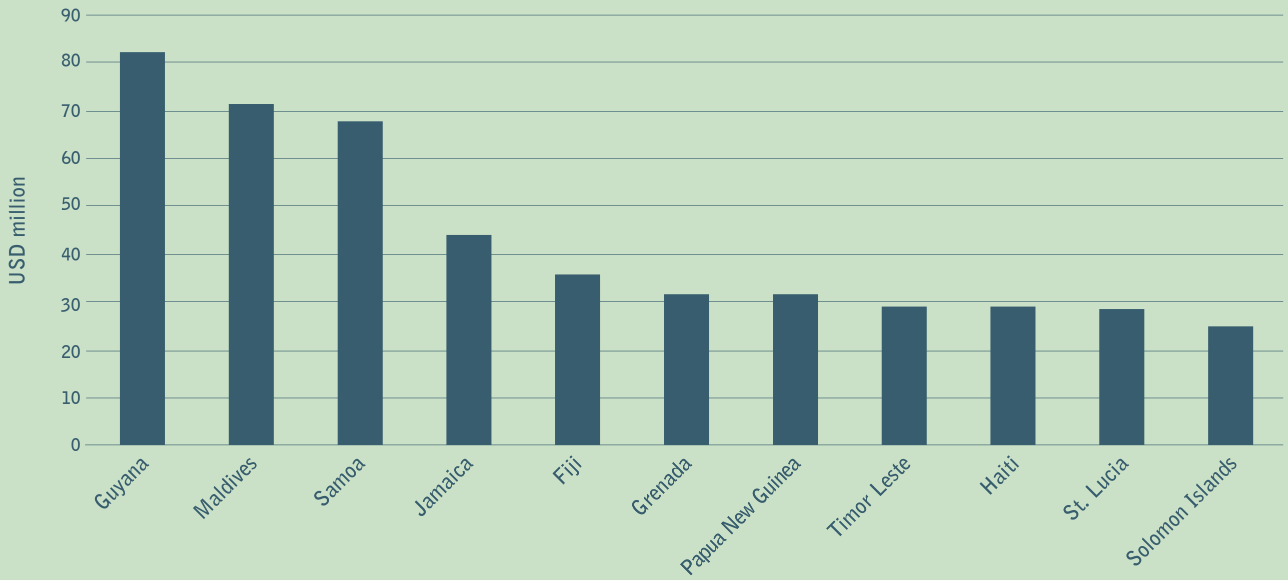
Funds and Initiatives	Amount Approved (Current USD millions)	Projects approved
Pilot Programme for Climate Resilience (PPCR)	179.14	22
Least Developed Countries Fund (LDCF)	134.65	41
Global Climate Change Alliance (GCCA)	86.50	18
Adaptation Fund (AF)	72.78	10
Norway's International Climate Forest Initiative (ICFI)	65.95	1
Green Climate Fund (GCF)	56.33	8
Global Environment Facility (GEF 5)	38.69	19
Special Climate Change Fund (SCCF)	35.98	5
Germany's International Climate Initiative (ICI)	27.73	9
Scaling up Renewable Energy Programme (SREP)	27.19	8
Forest Carbon Partnership Facility (FCPF)	26.60	7
Global Environment Facility (GEF 6)	17.49	6
Global Environment Facility (GEF 4)	16.97	14
United Nations REDD+ Programme (UNREDD)	6.93	2
Australia's International Forest Carbon Initiative (IFCI)	3.04	1
Strategic Priority on Adaptation (from GEF4)	2.07	1

Figure 2: Top ten recipient countries by amount approved (2003-15)



SIDs, contributing 12% of finance; USD 97 million has been approved from Norwegian, German, and Australian bilateral funds. The Green Climate Fund (GCF) has the potential to become a much larger source of finance for the SIDS in the future, with 50% of its USD 10.2 billion pledge to go to adaptation and half of this to support Least Developed Countries (LDCs), SIDS and African States.

Grants make up the majority of climate finance in the SIDS and will remain important, particularly for adaptation actions. To date, over three-quarters of SIDS climate finance is grant based, with concessional loans a much smaller proportion of the total.

Who receives the money?

The Caribbean region comprises about 65% of the population of the SIDS and contains the highest number of countries in the three SIDS regions. Consistent with its size, the Caribbean SIDS have the largest amount of approved climate finance from dedicated climate funds (USD 336 million, or 42%). More than half of Caribbean funding goes towards adaptation projects, with disaster prevention and preparedness as the biggest focus area within this category (receiving almost 30% of total Caribbean climate funding). The PPCR is the biggest funder in Caribbean SIDS (funding 16 projects that total USD 128 million), and approved PPCR-funded projects in St. Lucia, Dominica, Jamaica and Grenada each exceed USD 16 million. SIDS of the Pacific have project approvals totalling USD 304 million, while AIMS SIDS have USD 158 million in project approvals. AIMS and Pacific SIDS receive more finance for adaptation than for mitigation or REDD+ (adaptation finance accounts for 62% and 76% in AIMS and Pacific nations, respectively). AIMS countries have not received any REDD+ funding at all since 2003. The LDCF is the biggest funder in AIMS and Pacific SIDS, as the majority of LDCs in the SIDS lie within these two regions.

Guyana has received the most finance of any of the SIDS, with USD 82 million approved for project activities. Much of this funding (USD 66 million) is a contribution for the Guyana REDD+ Investment Fund by Norway's International Climate and Forest Initiative. In fact, this single contribution accounts for almost 20% of the total funding for Caribbean SIDS.

Box 1: Climate Finance in the Least Developed Countries (LDCs) of the SIDS

Nine of the 39 SIDS are LDCs: Comoros, Guinea-Bissau, Haiti, Kiribati, São Tomé and Príncipe, Solomon Islands, Timor-Leste, Tuvalu, and Vanuatu. Together USD 169 million in climate finance from multilateral climate funds has been approved for project activities within these nations, representing 21% of total SIDS funding. Two-thirds of this finance comes from the LDCF, with another 23% coming from the GCCA and PPCR. Grant financing, totalling over USD 60 million, is particularly important for LDCs as increasing debt can leave countries more exposed to macroeconomic shocks. Over three-quarters of climate finance in the LDC SIDS is dedicated to adaptation projects. Seven of the LDC SIDS also qualify as fragile or conflict-affected states, thereby aggravating their vulnerability to the social, economic, and environmental effects of climate change.

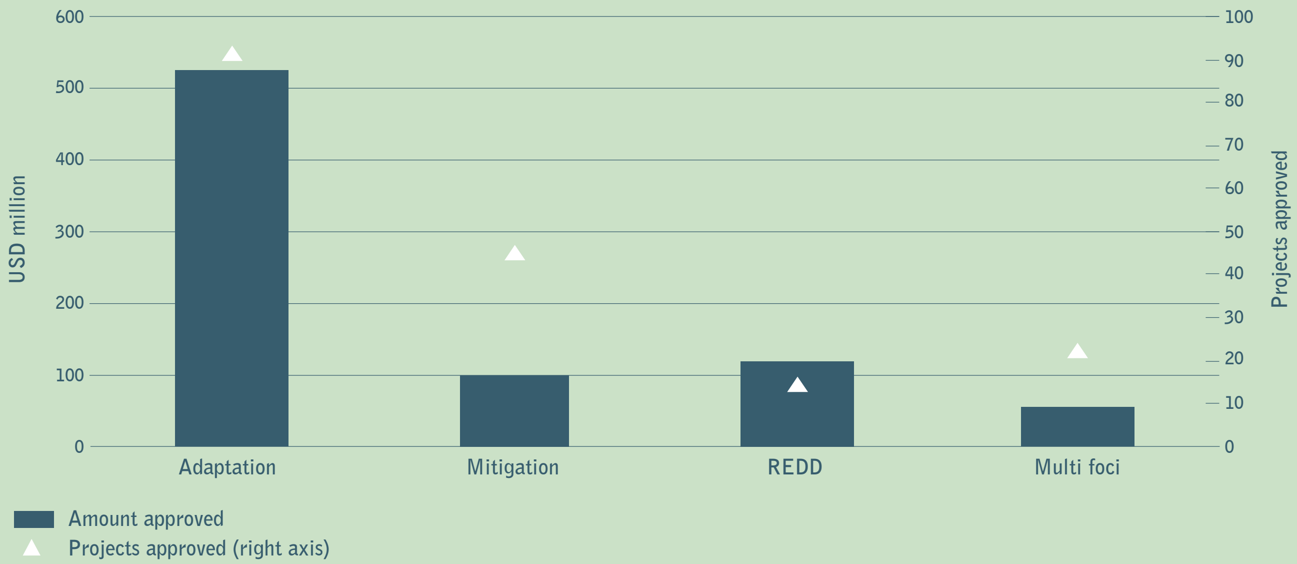
What is being funded?

Two-thirds of climate finance in the SIDS from dedicated funds contributes towards adaptation efforts, a total of USD 525 million (Table 2; Figure 3). 15% of funding contributes to REDD projects, 12% to mitigation and 7% to projects with multiple foci. The focus on adaptation finance is consistent with the SIDS' high adaptation needs. The largest single sector focus is humanitarian aid relating to

Table 2: Approved funding across themes (2003-15)

Theme	Approved Amount (USD millions)	Projects approved
Adaptation	525.03	91
Mitigation	99.73	45
REDD	117.83	14
Multiple foci	55.45	22

Figure 3: Approved funding across themes (2003-15)



disaster prevention and preparedness (accounting for 16% of overall funding), followed by water and sanitation (12%) and energy generation and supply (9%).

In 2015, 22 projects were approved in the SIDS. This includes the following: six readiness program support grants of the GCF for Antigua and Barbuda, Comoros, the Cook Islands, the Dominican Republic, Federated States of Micronesia, and Vanuatu; and two GCF-supported programs, one to support vulnerable communities in the Maldives to manage climate change-induced water shortages (USD 24 million), and an urban water supply and wastewater management program in Fiji (USD 31 million). The largest mitigation project approved in 2015 in the SIDS was in Samoa for a Global Environment Facility Trust Fund project to improve the performance and reliability of renewable energy systems (USD 6 million).

In addition to the series of 12 Climate Finance Fundamentals, these recent ODI and HBS publications may be of interest:

- **Financing Intended Nationally Determined Contributions (INDCs): Enabling Implementation**. Meryln Hedger and Smita Nakhooda analyse the current and potential role for finance in INDCs published to date (October 2015).
  Available at: **http://bit.ly/1PzzKqc**
- **Climate Finance for Cities: How can climate funds best support low-carbon and climate resilient urban development?** Sam Barnard reviews the approaches taken by multilateral climate funds to support climate action in cities (June 2015).
  Available at: **http://bit.ly/1eTq23L**
- **What counts: tools to help define and understand progress towards the $100 billion climate finance commitment.** With Paul Bodnar, Jessica Brown, ODI's Smita Nakhooda, layout five simple tools to consider what should count to the 2020 target (August 2015).
  Available at: **http://bit.ly/1PzzQ0Y**
- **10 things to know about climate change and financing for development.** Smita Nakhooda and Charlene Watson highlight what you need to know about climate change and development finance (July 2015).
  Available at: **http://bit.ly/1RuUVgr**
- **From Innovative Mandate to Meaningful Implementation: Ensuring Gender-Responsive Green Climate Fund Projects and Programmes.** Liane Schalatek looks at the potential for the GCF to support gender responsive climate action (November 2015).
  Available at: **http://bit.ly/1HtEyMB**

Contact us for more information at **info@climatefundsupdate.org**

References and useful links

Climate Funds Update Website: www.climatefundsupdate.org (data accessed in November 2015)

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The Climate Finance Fundamentals are based on Climate Funds Update data and available in English, French and Spanish at **www.climatefundsupdate.org**

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